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1972 ANNUAL REPORT

PAGE PETROLEUM LTD.

PAGE PETROLEUM LTD.
1972 ANNUAL REPORT

A LOOK INSIDE

Gross revenues, cash flow and net income increased substantially.

See page 2

Page et al discovered Upper Shaunavon oil production one mile west of the Rapdan oil field in southwest Saskatchewan.

See page 2

Page and Equity Oil Company of Salt Lake City, Utah, entered into a one-year exploration agreement effective July 1, 1972.

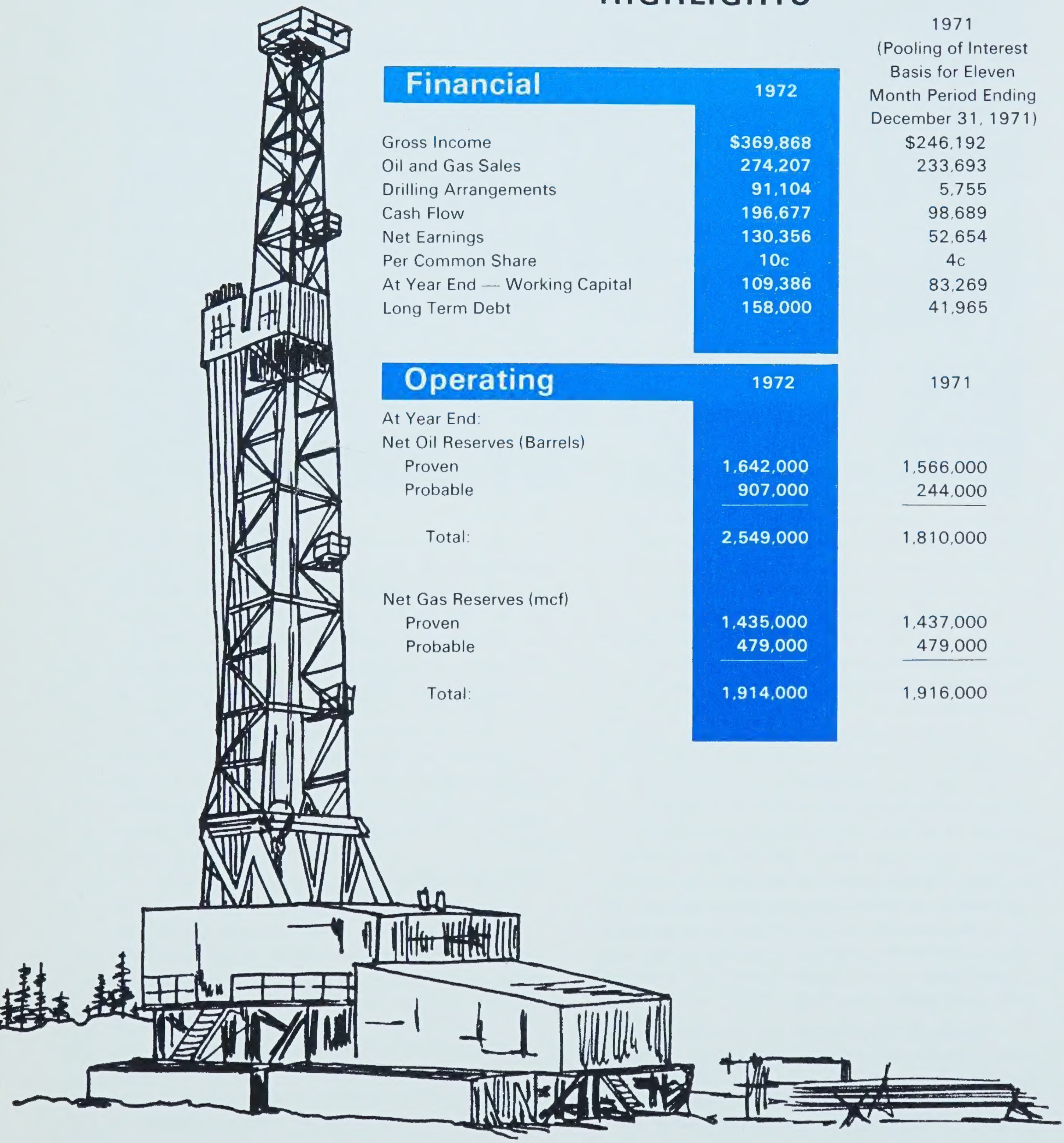
See page 2

Page's wholly-owned subsidiary, Berkley Petroleums (U.K.) Limited, was awarded a three percent interest in thirteen blocks covering 773,000 acres in three British offshore areas.

See page 4

The Annual Meeting of Shareholders will be held on May 4, 1973, at 10:30 a.m. in the Corral Room of the Palliser Hotel, 133 - 9th Avenue South West, Calgary, Alberta.

FINANCIAL AND OPERATING HIGHLIGHTS



Financial	1972	1971 (Pooling of Interest Basis for Eleven Month Period Ending December 31, 1971)
Gross Income	$369,868	$246,192
Oil and Gas Sales	274,207	233,693
Drilling Arrangements	91,104	5,755
Cash Flow	196,677	98,689
Net Earnings	130,356	52,654
Per Common Share	10c	4c
At Year End — Working Capital	109,386	83,269
Long Term Debt	158,000	41,965

Operating	1972	1971
At Year End:		
Net Oil Reserves (Barrels)		
Proven	1,642,000	1,566,000
Probable	907,000	244,000
Total:	2,549,000	1,810,000
Net Gas Reserves (mcf)		
Proven	1,435,000	1,437,000
Probable	479,000	479,000
Total:	1,914,000	1,916,000

TO THE SHAREHOLDERS:

We are pleased to present the second annual report for Page Petroleum Ltd. The Company is the result of the amalgamation on August 13, 1971, of Berkley Oil and Gas Ltd. and Canadian Fortune Oil Ltd. Page is primarily engaged in oil and gas exploration in western Canada. In addition, the Company has land holdings in the North Sea, the Arctic Islands, and other areas of the world.

The financial statements presented in this report reflect the twelve-month period ending December 31, 1972, and include comparative figures for the eleven-month period ending December 31, 1971. Gross income for the year ending December 31, 1972, was $369,868, up sharply from the $246,192 reported for the prior period. Cash flow from operations was $196,677 or 15c per share, compared to $98,689 or 8c per share. Net income was $130,356 or 10c per share, compared to $52,654 or 4c per share.

Page participated — usually as operator — in the drilling of 11 exploratory wells and 8 successful development wells. The exploratory wells resulted in two discoveries. At West Nipisi in Alberta the initial well proved to have serious water problems and must now be considered non-commercial. At Rapdan, in southwestern Saskatchewan, a discovery by Page and others materially increased our reserves. The Company now operates four Shaunavon formation wells in this field and plans further drilling.

Through its wholly-owned subsidiary, Berkley Petroleums (U.K.) Limited, Page increased its holdings in three highly prospective offshore areas. As a member of the Premier Consolidated Oilfields group, Berkley (U.K.) acquired a 3% interest in 50,500 acres in the northern North Sea, 207,400 acres on the Shetland Shelf, and 515,100 acres in the Celtic Sea. Berkley (U.K.) had previously been awarded a 53 1/3% interest in 91,500 acres in the gas-prone southern North Sea. Seismic work is under way in several areas, and it is contemplated that first drilling will take place in 1974.

In the Canadian Arctic, our Ellesmere holdings were enhanced by the Panarctic Romulus C-42, which found the first significant oil in the Arctic Islands. Some of the Company's work requirements on its permits are being satisfied by participation in the Drillarctic group. The Company will earn very small interests in Drillarctic's two current Arctic projects. These are the Horn River et al Depot Point L-24, now drilling, and the Horn River CCS Getty Middle Fiord K-52, which will commence late in the year. Both are located on known surface structures on Axel Heiberg Island.

On July 1, 1972, Page entered into a one-year renewable exploration arrangement with Equity Oil Company of Salt Lake City. Equity pays a portion of our exploration overhead for which they have the right to participate at cost in up to a one-half interest in any of our prospects in Western Canada. Page has the option to buy back, at cost, ten percent of Equity's interest in any successful venture. This arrangement, together with Page's increased financial base, has allowed the Company to participate in a wider range of prospects. The Company, of course, depends on outside funds for most of its drilling. This phase of our business and the profits therefrom increased greatly during 1972. We expect that this trend will continue during 1973.

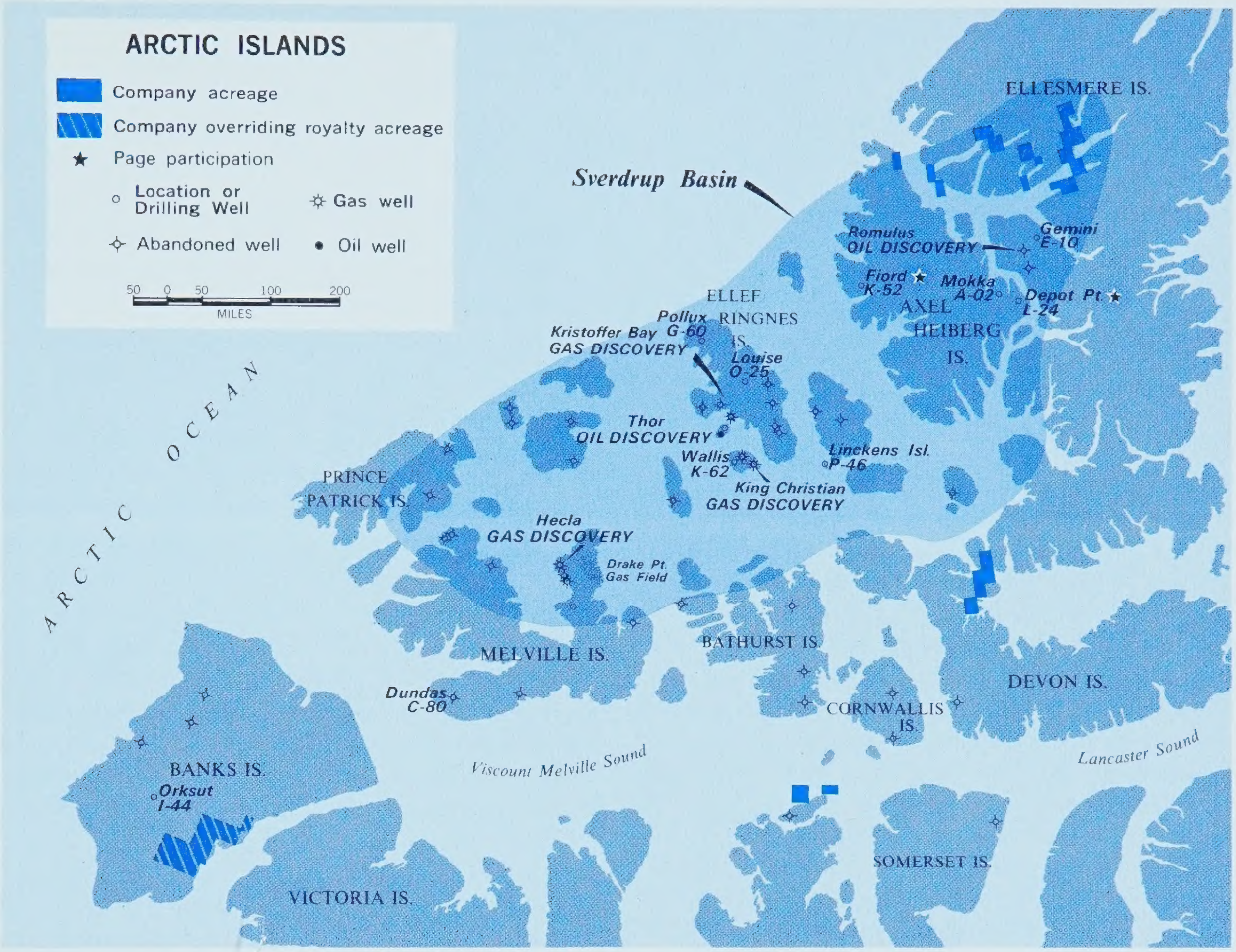
We think it is important that our U.S. shareholders be able to trade Page stock on their over-the-counter market. As a result, some months ago we filed the necessary forms with the Securities and Exchange Commission to enable such trading.

We look forward with much optimism to the coming year and the opportunities it will bring.

Lawton L. Clark

Lawton L. Clark
President

March 16, 1973



EXPLORATION AND DEVELOPMENT

The major portion of Page's exploratory activity is in Alberta and Saskatchewan, since these provinces offer excellent prospects for the discovery of significant oil and gas reserves in accessible areas. The Company has accelerated its land acquisition program in these areas, gearing it to a rapid evaluation and turnover of acreage. Some 77,000 gross acres were acquired in western Canada during the year and approximately 70,000 gross acres were sold or dropped.

To balance the exploration program, Page will be participating in drilling and land acquisition in the 'frontier areas' in 1973. Of necessity, our interests in these ventures will be small, but there can be high rewards. Commitments to date include participation in a foothills deep-test in the Beaver River area of British Columbia and two Arctic deep-tests on Axel Heiberg Island. Overseas, the Company has exploration operations in the U.K. and Ireland. Applications for holdings will be made in the offshore areas of Ireland and Spain.

WESTERN CANADA

Page continued its active program of exploration and development drilling in 1972. Ten exploratory wells were drilled, resulting in one commercial discovery at Rapdan, Saskatchewan. At Nipisi, Alberta, an indicated discovery has since proved to be non-commercial. In development drilling, three oilwells were drilled at Rapdan, five infill oilwells were drilled at Mitsue, Alberta, and one follow-up well at Nipisi was abandoned.

Page is participating in its first foothills venture. The 12,000-foot well, Oakwood IOE et al Scatter d-98-F, is being drilled 20 miles southwest of the giant Beaver River gas field in northern British Columbia. Page has a 4½% net interest in the project, which includes 53,000 acres surrounding the wellsite.

CANADIAN ARCTIC ISLANDS

Oil and gas discoveries in the Sverdrup Basin and subsequent increased interest in the

potential of the area are of significance to Page. The greater part of the Company's Arctic holdings, a 15% interest in 954,151 acres, are in this basin. In addition, Page has a 15% interest in 302,929 acres on Devon Island, and 105,491 acres near Russell Island. The Company also owns a .3% overriding royalty interest in 903,517 acres on Banks Island.

To satisfy current work requirements, we are participating, for very small interests, in two wells on Axel Heiberg Island. One, now drilling, is the Horn River et al Depot Point L-24. This well is located on a large structure with its main objective being the Permo-Carboniferous formations. The second well, Horn River CCS Getty Middle Fiord K-52 will be commenced following completion of the Depot Point well. This location is also on a large structural feature with its main objective being the Triassic Heiberg Sandstone. Negotiations are also under way to have other companies drill on or near our holdings to help in evaluation and to satisfy current and future work obligations.

UNITED KINGDOM

Page is active in the United Kingdom and its offshore waters through a wholly-owned subsidiary, Berkley Petroleums (U.K.) Limited.

The Company holds interests in eight production licences covering over 1,302,100 acres in the following areas:

Offshore:	Blocks	Gross Acres	Berkley Working Interest
North Sea	43/13b, 43/17b, 43/18b	91,500	53 1/3%
	29/8b, 29/9b	50,500	3%
Shetland Shelf	166/20, 202/11, 202/16, 203/3	207,400	3%
Celtic Sea	92/14, 92/15, 93/8, 93/12, 93/13, 102/20, 103/11, 103/16	515,100	3%
Onshore:			
Southwestern England	Lic. 128	110,700	10%
	Lic. 129	113,900	10%
	Lic. 130	111,200	100%
	Lic. 131	101,800	100%

Preliminary seismic surveys have been run on portions of the offshore holdings. To determine whether drillable structures are present, additional seismic work will be necessary.

Onshore in southwestern England seismic surveys are continuing. Berkley Nettlecombe #1, the most westerly deep exploration hole in Southern England, was drilled in 1972 and abandoned at a depth of 7,005 feet. The Company plans to participate in the drilling of one and possibly two exploratory wells in southern England in 1973.

IRELAND

Page participated in the organization of a consortium of Irish, American, and Canadian companies formed to explore for oil and gas on the Irish continental shelf. The consortium is conducting geophysical surveys and geological studies of this attractive offshore area. Page has a 6.25% interest in the project.

SPAIN

Page has a 12% interest in a consortium of Canadian companies which has submitted offers on several exploration permits in Spanish territorial waters. Considerable competition is expected for these rights.

ITALY

Page has an overriding royalty interest of .75% in two large exploration permits in the Italian Adriatic. For the past year, exploration has been practically halted in the area by several earthquakes, but drilling on or near the Company holdings is expected in 1974.

LAND

At year-end, the Company had an interest in 3,963,829 gross acres as summarized below:

	Working Interest		Royalty Interest
	Gross Acres	Net Acres	Gross Acres
Western Canada	55,153	16,375	71,663
Arctic Islands	1,362,571	204,386	903,517
Alaska	236,909	30,174	—
United Kingdom	1,302,182	307,449	—
Italian Adriatic	—	—	31,834
Total:	2,956,815	558,384	1,007,014


UNITED KINGDOM
NORTH SEA
Company Acreage
Non exclusive license
Oil pools
Gas pools
FAROE ISLANDS
SHETLAND ISLANDS
ORKNEY ISLANDS
ATLANTIC OCEAN
NORTH SEA
NORWAY
Comorant
Brent
Median Line
Frigg
Beryl
Forties
Cod
Ekofisk
Eldfisk
Auk
SCOTLAND
IRELAND
Dublin
West Sole
Viking N.
Indefatigable
ENGLAND
WALES
LONDON
Kinsale Head
Celtic Sea
English Channel
BELGIUM
FRANCE
Median Line
Median Line
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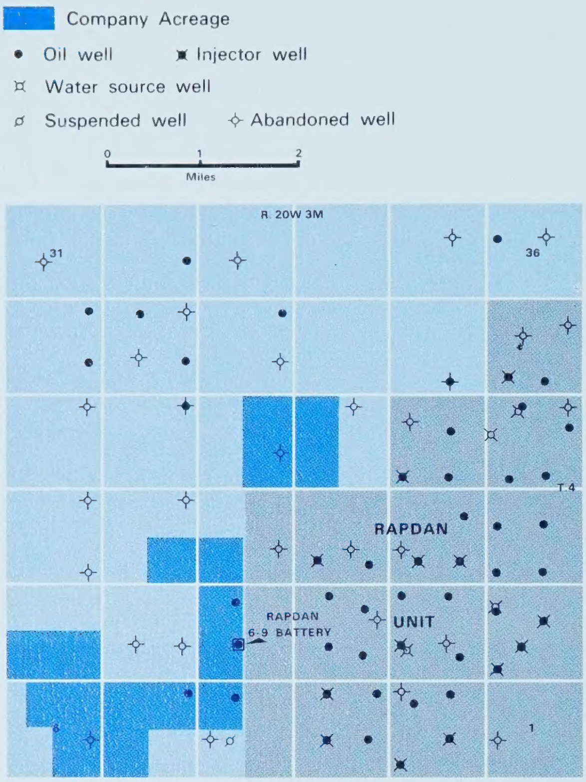
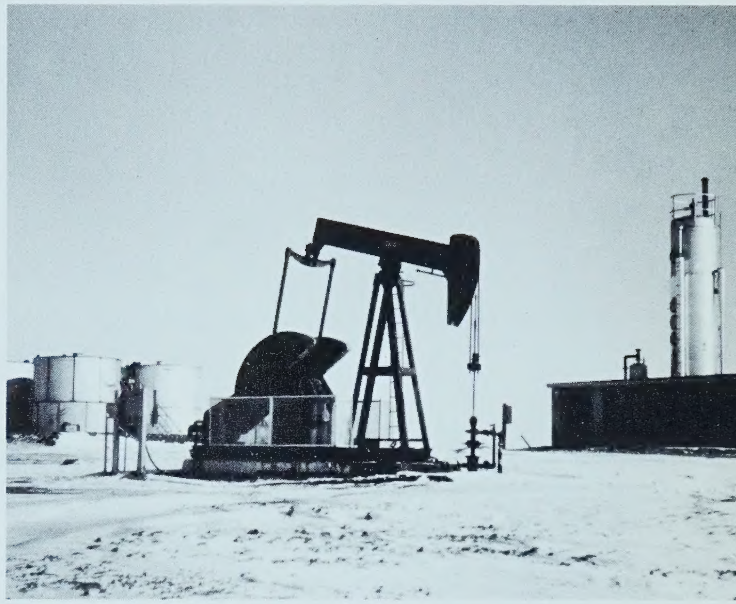
RAPDAN, SASKATCHEWAN





PRODUCTION

Of significance:

- Revenue from oil and gas sales totalled \$274,207 for the year, an increase of \$40,514 over the eleven months ended December 31, 1971.
- Net production, after royalties, of oil and natural gas liquids totalled 94,329 barrels in 1972. Daily average production was 258 barrels, up from an average of 170 barrels per day in 1971.
- December 1972 net oil production was 296 barrels per day.
- Net oil reserves were increased by 739,000 barrels after replacing oil produced during the year. Allowance has also been made for reductions in net oil reserves due to government royalty increases.

The bulk of the Company's production comes from the Mitsue oilfield in northern Alberta. Page has a .6543% interest in this huge 170-square-mile, 380-million-barrel oilfield. Further drilling and plant modifications in 1973 are designed to increase the field producing rate from its present 46,000 barrels per day to 55,000 barrels per day. Operating costs in 1972 were only 12c per barrel. At present producing rates, this field has approximately 17 years of production left.

As a result of exploration and development drilling at Rapdan, the Company's net production was increased by 40 barrels per day. Page's net recoverable reserves at Rapdan are 230,000 barrels proven and 192,000 barrels probable. Recoverable reserves and production are expected to increase with further development drilling and the initiation of a waterflood in 1973.

In the Golden Spike D-2B Pool, the Company has 311,000 net barrels of proven and probable oil reserves. Because the 20-year-old field has a history of low productivity, only some 17,000 barrels are considered to be proven. After a successful remedial treatment on one of the old wells, Page and partners plan to drill another well into the pool in 1973 to improve producing rates.

RESERVES

Net After Royalties
(as of independent engineers' report)

	Jan. 1 1973	JAN. 1 1972
OIL (in barrels)		
Proven Developed	**1,642,000**	1,566,000
Probable	**907,000**	244,000
Total Proven and Probable	**2,549,000**	1,810,000
GAS (in mcf)		
Proven Developed	**1,435,000**	1,437,000
Probable	**479,000**	479,000
Total Proven and Probable	**1,914,000**	1,916,000

PAGE PETROLEUM LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1972

	1972	Eleven months ended December 31, 1971 (note 1)
Income		
Oil and gas sales, net of royalties	$ 274,207	$ 233,693
Royalties	4,557	6,744
Drilling arrangements and other fees	91,104	5,755
	369,868	246,192
Expenses		
Production costs	32,991	25,487
General and administrative	138,349	96,247
Interest	13,918	1,722
	185,258	123,456
	184,610	122,736
Other		
Investment income	3,559	1,364
Unrealized gain on marketable securities	8,508	10,536
Reorganization costs	—	(35,947)
	12,067	(24,047)
Cash flow from operations	196,677	98,689
Depletion	51,555	32,078
Depreciation	14,766	13,957
	66,321	46,035
Net income	130,356	52,654
Deficit, beginning of period, as restated (note 4)	(58,747)	(111,401)
Retained earnings (deficit, end of period)	$ 71,609	$ (58,747)
Earnings per share (note 11)	$ .10	$ .04

The accompanying notes are an integral part of these financial statements

PAGE PETROLEUM LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1972

ASSETS

	1972	1971
Current assets		
Cash	$ 28,712	$ 28,790
Marketable securities, at lower of cost or market price (cost $30,861)	29,813	27,365
Accounts receivable	383,503	233,780
Prepaid expenses	2,895	3,149
	444,923	293,084
Drilling and exploration deposits	33,291	46,501
Investment in limited partnership (note 5)	27,685	2,062
Property, plant and equipment — net (note 6)	1,266,279	1,051,669
	$1,772,178	$1,393,316

LIABILITIES

	1972	1971
Current liabilities		
Bank operating loan, secured (note 7)	$ 75,000	$ —
Accounts payable	235,337	197,815
Current portion of long term debt	25,200	12,000
	335,537	209,815
Long term debt (note 7)		
Bank production loan, secured	183,200	53,965
Less: Portion due within one year	25,200	12,000
	158,000	41,965

SHAREHOLDERS' EQUITY

	1972	1971
Capital stock (note 9)		
Authorized		
5,000,000 shares without par value		
Issued		
1,272,053 shares (1,267,887 shares — 1971)	956,721	949,972
Contributed surplus	250,311	250,311
Retained earnings (deficit)	71,609	(58,747)
	1,278,641	1,141,536
	$1,772,178	$1,393,316

Approved on behalf of the Board,

LAWTON L. CLARK, Director.

C. D. GOULD, Director.

The accompanying notes are an integral part of these financial statements

PAGE PETROLEUM LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1972

	1972	Eleven months ended December 31, 1971 (note 1)
Source of funds		
Cash flow from operations	$ 196,677	$ 98,689
Sale of interests in properties	140,143	21,385
Issuance of capital stock	6,749	36,000
Borrowing of long term debt, net of repayments	116,035	(12,902)
Recovery of drilling and exploration deposits	13,210	—
	472,814	143,172
Application of funds		
Additions to property, plant and equipment	421,074	144,435
Investment in limited partnership	25,623	20,631
Refundable drilling and exploration deposits	—	21,112
	446,697	186,178
Increase (decrease) in working capital	26,117	(43,006)
Working capital, beginning of period, as restated	83,269	126,275
Working capital, end of period	$ 109,386	$ 83,269

The accompanying notes are an integral part of these financial statements

PAGE PETROLEUM LTD.
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972

1. AMALGAMATION

On August 13, 1971, Berkley Oil and Gas Ltd. and Canadian Fortune Oil Ltd. amalgamated under Section 156 of The Companies Act (Alberta) to form the continuing company Page Petroleum Ltd.

The amalgamation had been accounted for on the pooling of interests basis. Accordingly, the consolidated statements of income and deficit and source and application of funds for the eleven months ended December 31, 1971 contain the income and expenses and source and application of funds of the predecessor companies for the period February 1, 1971 to August 12, 1971 and the income and expenses and source and application of funds of the amalgamated company for the period August 13, 1971 to December 31, 1971.

2. PRINCIPLES OF CONSOLIDATION

The consolidated balance sheet includes the accounts of Page Petroleum Ltd. and all wholly owned subsidiaries. The excess of the purchase price of the shares of the subsidiaries over the underlying net book value at the dates of acquisition has been added to the "property, plant and equipment" account. Intercompany accounts and transactions have been eliminated in consolidation.

3. ACCOUNTING PRINCIPLES

The companies follow the full cost method of accounting for oil and gas properties and equipment. Under this method, all costs incurred in the exploration for and development of oil and gas properties are capitalized. These costs are then amortized on the unit of production method based on the companies estimated proven recoverable reserves.

Prior to January 1, 1972, the company followed the policy of depreciating all equipment using the diminishing balance method. As at January 1, 1972, the company changed its policy of depreciation production equipment to the unit of production method. Depreciation for the eleven months ended December 31, 1971 has been restated to reflect a reduction of $9,170.

Under current income tax laws, costs incurred in the exploration and development of oil and gas are an allowable deduction when determining taxable income. The Canadian Institute of Chartered Accountants recommends accounting for deferred income taxes which arise due to timing differences in accounting for these properties written off for tax purposes. Management feels, however, that this treatment is not appropriate and, in common with accepted practice in the oil and gas industry, has not deferred income taxes on this basis.

At December 31, 1972 approximately $758,000 of drilling, exploration and lease acquisition costs and $161,000 of undepreciated capital costs remain to be carried forward and applied against future income.

Had provision for deferred income taxes been made with respect to all differences in timing of deductions for tax and accounting purposes during 1971 and 1972, provisions for deferred income taxes would have been $43,000 in 1972 ($17,000 in 1971), resulting in reductions of net income of $43,000 or $.03 per share in 1972 ($17,000 or $.01 per share in 1971). The accumulated income tax deferrals relative to all timing differences amounted to approximately $66,000 at December 31, 1972.

4. PRIOR PERIOD ADJUSTMENTS

During 1972 the company became liable for additional royalties of $12,194 applicable to production for the period March 1968 to April 1971. This amount was not previously reported in the accounts.

As a result of this item the deficit and working capital as at January 31, 1971 have been restated as follows:

	Deficit	Working Capital
Balance, as originally reported	$ 100,878	$ 136,798
Additional royalty payable for periods ended prior to January 31, 1971	10,523	(10,523)
Balance, as restated	$ 111,401	$ 126,275

Net income for eleven months ended December 31, 1971 previously reported as $45,155 has been increased by $7,499 comprised of the following:

Reduction in depreciation (note 3)	$ 9,170
Additional royalty payable for the period	1,671
	$ 7,499

5. LIMITED PARTNERSHIP

The company is the sole general partner of Berkley 71 Company, a limited partnership formed pursuant to the laws of the Province of Alberta, Canada, for the purpose of exploring for oil and gas.

The Limited Partnership Agreement provides that the company, as general partner, is required to pay all of the tangible costs on initial wells and 30% of all other costs incurred.

Income from producing wells and proceeds from the sale of properties will be credited 70% to the limited partners and 30% to the company, as general partner.

The company's investment in the limited partnership is reflected on the equity basis.

6. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the cost of property and equipment and the related accumulated depletion and depreciation as at December 31, 1972.

	Cost of Assets	Accumulated Depletion and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development costs thereon	$ 1,339,432	$ 219,298	$ 1,120,134
Production equipment	188,646	91,869	96,777
Sundry	80,441	31,073	49,368
	$ 1,608,519	$ 342,240	$ 1,266,279

7. BANK LOANS

Operating loan	$ 75,000
Production loan	183,200
	$ 258,200

The bank loans are secured by a general assignment of accounts receivable, certain specific oil and gas properties and marketable securities.

The production loan which is secured by demand notes is repayable from proceeds of production in monthly installments of approximately $2,100.

8. COMMITMENTS AND GUARANTEES

The companies are committed for work performance on certain oil and gas exploratory permits in the amount of $38,422. These commitments are secured by notes issued by the companies and guaranteed by their bankers.

9. CAPITAL

a. Employees' stock options outstanding at December 31, 1972 totalled 68,334 shares, exercisable as follows:

   40,000 shares, exercisable up to May 13, 1973 at a price of $2.80 per share.
   8,334 shares, exercisable up to August 19, 1974 at prices ranging from $2.12 to $2.62 per share
   12,500 shares, exercisable up to May 8, 1975 at prices ranging from $1.85 to $2.85 per share
   7,500 shares, exercisable up to June 15, 1975 at prices ranging from $2.40 to $3.40 per share

b. On May 26, 1972 the company and a senior officer entered into a share purchase agreement in which the company agreed to sell 45,000 shares at $2.00 per share, payable in three equal annual installments with interest at 6% on the unpaid balance. This agreement is subject to ratification by the shareholders at the 1973 annual meeting.

c. In January 1973 stock options for 37,500 shares were exercised. In order to enable a senior officer to exercise his stock option in January 1973, the company loaned him $93,334 on a 4% promissory note repayable in annual installments over a five year period.

10. EXECUTIVE REMUNERATION

The total remuneration paid to directors and senior officers (as defined by the Alberta Securities Act as the five highest paid employees) of the companies amounted to $90,900.

11. NET INCOME PER SHARE

Net income per share is based on the average number of shares outstanding during the period. The average number of shares used in the computation of net income per share was 1,269,449 (1971 — 1,260,465).

AUDITORS' REPORT

To the Shareholders
Page Petroleum Ltd.

We have examined the consolidated balance sheet of Page Petroleum Ltd. and subsidiary companies as at December 31, 1972 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (with which we concur) in the method of calculating depreciation of production equipment as outlined in note 3 to the consolidated financial statements.

Calgary, Alberta
March 2, 1973

COLLINS LOVE EDDIS VALIQUETTE & BARROW
Chartered Accountants

PAGE PETROLEUM LTD.

Incorporated under the Laws of Alberta

Officers

LAWTON L. CLARK, President
C. DEREK GOULD, Vice President
BRIAN G. McCOMBE, Secretary

Directors

LAWTON L. CLARK
President, Page Petroleum Ltd.
Amarillo, Texas

C. DEREK GOULD
Vice President, Page Petroleum Ltd.
Calgary, Alberta

HAROLD E. HUNT
Manager, Dale and Company Limited
Calgary, Alberta

BRIAN G. McCOMBE
Barrister and Solicitor, McLaws & Company
Calgary, Alberta

Capitalization

Authorized 5,000,000 shares No Par Value
Issued Capital — 1,272,053 shares

Registered Office

200, Bradie Building
630 - 6th Avenue South West
Calgary, Alberta
T2P 0S8

Transfer Agent and Registrar

The Canada Trust Company
Calgary and Toronto

Auditors

Collins Love Eddis Valiquette & Barrow
Second Floor, Pacific 66 Plaza
700 - 6th Avenue South West
Calgary, Alberta
T2P 0T8

Legal Counsel

McLaws & Company
Sixth Floor
407 - 8th Avenue South West
Calgary, Alberta
T2P 1E6

Banking

The Canadian Imperial Bank of Commerce
309 - 8th Avenue South West
Calgary, Alberta
T2P 2P2

Stock Exchange Listing

The Toronto Stock Exchange
Symbol "PGE"

PAGE PETROLEUM LTD.
1972 ANNUAL REPORT

SMITH GRANT MANN ALBERTA
Litho'd in Canada
QUAD-H GRAPHIC RESOURCES LTD.